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Management Discussion and Analysis

Balance Sheet Analysis

Hope Enterprise Corporation’s (HEC’s) total assets stood at \$111.6 million at December 31, 2014, down almost \$12.2 million from December 31, 2013. This significant drop is largely due to three events. In October 2014 we had our first successful retirement of one of our New Markets Tax Credit (NMTC) subsidiary entities after the end of its seven-year credit period. At that time, the total assets of ECD First Commercial, LLC were \$2.4 million, reducing HEC’s consolidated total assets by you amount.

We also successfully retired the Mid Delta Community and Individual Corporation (MDCIIC) after completing all the program requirements and repaying the \$3.5million in debt. The total assets of MDCIIC were \$4.5 million on December 31, 2013. By December 31, 2014 total assets were only \$41,000.

Finally, ECD Associates, LLC and ECD New Markets, LLC, our first NMTC entities, created to fund secondary capital transactions to Hope Credit Union, continued to receive repayments of that secondary capital and pay off NMTC related debt, and so continue to decline in size. During 2014, the total consolidated assets of ECD Associates, LLC fell by \$7.8 million, reducing HEC’s consolidated total assets by an equal amount.

The effect of these transactions on HEC’s net worth position is detailed in the following schedule:

	2014	2013
Unrestricted	12.1%	6.7%
Non-controlling interests	61.8%	61.0%
Total unrestricted	73.9%	67.7%
Temporarily restricted	2.0%	1.7%
Permanently restricted	1.6%	1.1%
Total net assets	77.5%	70.5%

As detailed in the following schedule, the vast majority of HEC’s assets are tied up in some form loan, investment, or property that resulted from a loan:

	2014	2013
Loan receivable from affiliate	-	3,215,000
Loans receivable – net of allowance for loan losses	72,136,028	73,216,034
Loan guarantees receivable	1,076,567	788,645
Investment in affiliated company	10,566,949	10,612,388
Investment in secondary capital of HCU	12,827,500	15,206,000
Foreclosed property	1,402,150	1,864,141
Total	98,009,194	104,902,208
Percent of total assets	88%	85%

Commensurate with the decline in total assets, total liabilities declined from \$36.5 million at December 31, 2013 to \$25.1 million at December 31, 2014, a decline of \$11.4 million.

Earnings Analysis

Total revenue for 2014 was \$15.9 million as compared to \$7.2 million for 2013 and expenses were \$9 million in 2014 as compared to \$11 million for 2013. This represents an overall improvement of \$10.6 million and was the cause of several of the significant ratio improvements seen above in the first schedule. The year ended December 31, 2014 was a very good year financial for HEC. However, the financial performance should be placed in context. Just as HEC’s fundamental performance was not as poor as the financial statements suggested in 2012 and 2013, in 2014 HEC’s underlying performance was not as spectacular as the financial statements might lead the casual observer to believe.

Just as HEC’s drop in total assets was largely caused by three discrete events, much of the \$7.2 million in net income is attributable to two specific events. As discussed earlier, as a precursor to winding down MDCIIC, HEC completed all the related program requirements. As a result, a HUD EDI grant of \$3.1 million awarded to MDCIIC containing a “claw-back” provision until the entire program requirements were met was recognized as income in 2014.

At the beginning of 2014 HEC launched the New Orleans Neighborhood LIFT program, a single-family home ownership counseling and soft-second mortgage program funded through NeighborWorks America (NWA). The NWA funding covered both program expenses and the mortgages. During 2014, \$2.75 million of the grant released from program restrictions consisted of soft-second mortgages. These mortgages will be amortized over a five year period, and as such the net worth resulting from this transaction will be of limited value to HEC.

When these two events have been taken into account, HEC’s 2014 performance, while not as spectacular, was still positive, with an increase in net asset of \$1.4 million. This positive performance largely resulted from expense reductions, with total expenses dropping by \$2 million, from \$11 million in 2013 to \$9 million in 2014. In 2013 HEC provided support to Hope Credit Union (HCU) in the amount of \$700,000. In 2014 HEC provided no support. General and administrative expense in 2014 was \$1.8 million, a slightly lower amount than in 2013.

Finally, HEC program activity costs were down by a combined \$427,000 from \$8.2 million in 2013 to \$7.8 million in 2014. As most of the housing lending activities occurred in HCU it now absorbed a higher

proportion of the housing initiatives costs, and the reduction in costs related to the elimination of non-core programs.

With regard to earned revenue, differences between 2013 and 2014 are summarized in the following schedule:

	2014	2013
Interest, dividends and related fees:		
Loans and other investments	5,924,985	2,618,442
Debt securities and cash equivalents	79,199	97,251
Gain (loss) on sale of assets	806,977	(896)
Contract services revenues	113,253	997,270
Total earned revenue	6,924,414	3,712,067

The increase in interest, dividends and related fees from loans and other investments is almost solely attributable to the previously mentioned MDCIIC transaction. The \$807,000 gain on sale of assets in 2014 is almost exclusively related to the wind up of a NMTC related entity. The reduction in fees from \$997,000 in 2013 to \$113,000 in 2014 is also almost exclusively NMTC related. In 2013 HEC subsidiaries completed four NMTC transactions and earned fees on these transactions, but did not undertake a NMTC transaction in 2014.



Richard Campbell
Chief Financial Officer



William Bynum
Chief Executive Officer

Hope Enterprise Corporation

CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

Years Ended December 31, 2014 and 2013



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December 31, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Hope Enterprise Corporation
Jackson, Mississippi

We have audited the accompanying consolidated financial statements of Hope Enterprise Corporation and entities under its control, which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities and changes in net assets and of cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hope Enterprise Corporation and entities under its control as of December 31, 2014 and 2013, and the changes in their consolidated net assets and their consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our 2014 audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in Schedules 1 - 4 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi

March 31, 2015

Hope Enterprise Corporation Consolidated Statements of Financial Position

<i>December 31,</i>	2014	2013
Assets		
Cash and cash equivalents	\$ 9,828,090	\$ 11,127,740
Grants receivable	366,880	1,039,288
Contract revenue receivable	206,222	497,655
Loan receivable from affiliate	-	3,215,000
Consumer mortgage loans held for sale	1,057,011	1,087,604
Loans receivable - net of allowance for loan losses of approximately \$2,171,000 (2014) and \$2,030,000 (2013)	72,136,028	73,216,034
Loan guarantees receivable from Small Business Administration	1,076,567	788,645
Debt securities held as investments	-	13,031
Investment in affiliated company	10,566,949	10,612,388
Cash restricted for collateral on subsidiary's note payable	-	2,744,452
Investment in secondary capital of Hope Federal Credit Union	12,827,500	15,206,000
Property and equipment, net	1,670,832	1,848,725
Foreclosed property	1,402,150	1,864,141
Other assets	492,862	569,557
Total assets	\$ 111,631,091	\$ 123,830,260
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 538,689	\$ 611,559
Payable to Hope Federal Credit Union	42,187	649,943
Funds held in escrow	23,097	3,187,790
Notes payable	24,542,608	32,054,149
Total liabilities	25,146,581	36,503,441
Commitments and contingencies (Note 5, 12 and 13)		
Net assets:		
Unrestricted	13,502,753	8,256,736
Non-controlling interests (Note 12)	68,969,205	75,567,760
Total unrestricted	82,471,958	83,824,496
Temporarily restricted	2,235,040	2,084,811
Permanently restricted	1,777,512	1,417,512
Total net assets	86,484,510	87,326,819
Total liabilities and net assets	\$ 111,631,091	\$ 123,830,260

The accompanying notes are an integral part of these financial statements.

Hope Enterprise Corporation
Consolidated Statements of Activities and Changes in Net Assets

Year ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and gains				
Grants and contributions	\$ 1,993,581	\$ 5,944,530	\$ 360,000	\$ 8,298,111
In-kind contributions	629,955	-	-	629,955
Interest, dividends and related fees:				
Loans and other investments	5,924,985	-	-	5,924,985
Debt securities and cash equivalents	79,199	-	-	79,199
Net realized and unrealized losses on debt securities held as investments	(937)	-	-	(937)
Gain on sale of assets	806,977	-	-	806,977
Contract services revenue	113,253	-	-	113,253
	9,547,013	5,944,530	360,000	15,851,543
Net assets released from restrictions:				
Expiration of time restrictions	200,000	(200,000)	-	-
Satisfaction of program restrictions	5,594,301	(5,594,301)	-	-
	15,341,314	150,229	360,000	15,851,543
Expenses				
Program expenses:				
Development finance	4,530,210	-	-	4,530,210
Housing initiative	791,804	-	-	791,804
Policy and advocacy	652,927	-	-	652,927
Other programs	1,003,225	-	-	1,003,225
	6,978,166	-	-	6,978,166
General administration:				
General and administration expense	1,757,737	-	-	1,757,737
Fund-raising and communication	253,631	-	-	253,631
	8,989,534	-	-	8,989,534
Equity in earnings of affiliated company	380,561	-	-	380,561
Change in net assets before non-controlling interest	6,732,341	150,229	360,000	7,242,570
Non-controlling interests in subsidiaries' income	(1,485,893)	-	-	(1,485,893)
Change in net assets attributable to controlling interest	5,246,448	150,229	360,000	5,756,677
Net assets attributable to controlling interests:				
At beginning of year	8,256,736	2,084,811	1,417,512	11,759,059
Dividends paid to controlling interests	(431)			(431)
At end of year	13,502,753	2,235,040	1,777,512	17,515,305
Net assets of non-controlling interests (Note 12)	68,969,205	-	-	68,969,205
Total net assets at end of year	\$ 82,471,958	\$ 2,235,040	\$ 1,777,512	\$ 86,484,510

The accompanying notes are an integral part of these financial statements.

Hope Enterprise Corporation

Consolidated Statements of Activities and Changes in Net Assets

Year ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and gains				
Grants and contributions	\$ 1,261,303	\$ 1,691,000	\$ 75,000	\$ 3,027,303
In-kind contributions	456,875	-	-	456,875
Interest, dividends and related fees:				
Loans and other investments	2,618,442	-	-	2,618,442
Debt securities and cash equivalents	97,251	-	-	97,251
Net realized and unrealized losses on debt securities held as investments	(9,175)	-	-	(9,175)
Loss on sale of assets	(896)	-	-	(896)
Contract services revenue	997,270	-	-	997,270
	5,421,070	1,691,000	75,000	7,187,070
Net assets released from restrictions:				
Expiration of time restrictions	726,000	(726,000)	-	-
Satisfaction of program restrictions	2,499,434	(2,499,434)	-	-
Total revenues and gains	8,646,504	(1,534,434)	75,000	7,187,070
Expenses				
Program expenses:				
Development finance	5,600,966	-	-	5,600,966
Housing initiative	328,015	-	-	328,015
Hope Federal Credit Union	700,000	-	-	700,000
Policy and advocacy	649,634	-	-	649,634
Other programs	1,667,642	-	-	1,667,642
	8,946,257	-	-	8,946,257
General administration:				
General and administration expense	1,839,094	-	-	1,839,094
Fund-raising and communication	183,213	-	-	183,213
Total expenses	10,968,564	-	-	10,968,564
Equity in earnings of affiliated company	388,388	-	-	388,388
Change in net assets before non-controlling interest	(1,933,672)	(1,534,434)	75,000	(3,393,106)
Non-controlling interests in subsidiaries' income	(310,400)	-	-	(310,400)
Change in net assets attributable to controlling interest				
Net assets attributable to controlling interests:				
At beginning of year	10,500,808	3,619,245	1,342,512	15,462,565
At end of year	8,256,736	2,084,811	1,417,512	11,759,059
Net assets of non-controlling interests (Note 12)	75,567,760	-	-	75,567,760
Total net assets at end of year	\$ 83,824,496	\$ 2,084,811	\$ 1,417,512	\$ 87,326,819

The accompanying notes are an integral part of these financial statements.

Hope Enterprise Corporation Consolidated Statements of Cash Flows

<i>Years ended December 31,</i>	2014	2013
Operating activities		
Change in net assets attributable to controlling interests	\$ 5,756,677	\$ (3,703,506)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Non-controlling interests in subsidiaries' income	1,485,893	310,400
Depreciation, amortization and accretion	387,503	445,591
Provision for loan losses	270,977	1,611,236
Forgiveness of mortgage loan debt	411,242	223,742
Loss (gain) on sale of assets	(806,977)	896
Cash distribution from affiliate in excess of equity in earnings	(61,061)	37,612
Impairment losses and loss on sale of foreclosed property	34,134	23,944
Realized and unrealized loss on investments	937	9,175
Proceeds from sales of mortgage loans held for sale	30,593	1,820,782
Changes in operating assets and liabilities:		
Contract revenue receivable	397,933	(304,530)
Grants receivable	672,408	(233,921)
Other receivables and prepaid expenses	(3,301,417)	7,764
Accounts payable and other liabilities	(680,626)	(1,679,170)
Net cash provided by (used in) operating activities	4,598,216	(1,429,985)
Investing activities		
Net decrease (increase) in loans held for investment	339,079	(25,292,143)
Proceeds from maturities and sales of investments	12,094	752,466
Increase in restricted cash held in escrow	2,744,452	(1,072)
Proceeds from repayment of secondary capital loans	2,378,500	1,105,549
Proceeds from sales of foreclosed property	411,629	64,767
Purchase of property and equipment	(209,610)	(265,382)
Net cash provided by (used in) investing activities	5,676,144	(23,635,815)
Financing activities		
Capital contributions by non-controlling interests	-	25,000,000
Cash dividends paid to non-controlling interests	(4,062,469)	(1,428,812)
Long-term borrowings	2,511,000	5,251,000
Payments on long-term borrowings	(10,022,541)	(5,416,753)
Net cash provided by (used in) financing activities	(11,574,010)	23,405,435
Net decrease in cash and cash equivalents	(1,299,650)	(1,660,365)
Cash and cash equivalents, beginning of year	11,127,740	12,788,105
Cash and cash equivalents, end of year	\$ 9,828,090	\$ 11,127,740
Supplemental disclosure of noncash investing and financing activities:		
Property received upon foreclosure on loans	\$ 58,708	\$ 1,333,254
Transfers to loan guarantees receivable	\$ 74,936	\$ 12,338
Loan receivable from affiliate exchanged for non-controlling interest	\$ 4,021,975	\$ -

The accompanying notes are an integral part of these financial statements.

Hope Enterprise Corporation Notes to Consolidated Financial Statements

NOTE 1: NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Company

Hope Enterprise Corporation (the “Company”) is a not-for-profit development financial corporation primarily serving Arkansas, Louisiana and Mississippi. The goal of the Company is to improve the regional economy through investment, jobs and growth. The services of the Company include financing, management assistance, financial counseling and market development and are designed to support business creation and expansion, homeownership and community development.

Basis of Presentation

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and include the accounts of the Company and entities under its control which include, ECD Investments, LLC (ECDI), ECD Investments BIDCO, Inc. (BIDCO), Home Again, Inc. (Home Again), Mid-Delta Community and Individual Investment Corporation (MDCIIC), ECD Associates, LLC (ECDA), ECD New Markets, LLC (ECDNM), ECD First Commercial, LLC (ECD First), ECD Plus, LLC (ECD Plus), ECD Central City, LLC (ECD Central), ECD New Markets 3, LLC (ECDNM3) ECD New Markets 4, LLC (ECDNM4), ECD New Markets 5, LLC (ECDNM5), Hope New Markets 1, LLC (HNM1), Hope New Markets 2, LLC (HNM2), Hope New Markets 3, LLC (HNM3) and Hope New Markets 4, LLC (HNM4). All significant intercompany transactions and balances have been eliminated in consolidation. The preparation of such consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The allowance for loan losses and the valuation of foreclosed property and investments are determined utilizing material estimates that are particularly susceptible to change in the near term.

ECDI is a limited liability company subsidiary of the Company and owns the corporate stock of BIDCO. The purpose of ECDI and BIDCO is the same as that of the Company. Home Again is a non-profit organization in which the Company serves as the primary sponsor and also controls the Board of Directors. Home Again provides mortgage financing and recovery consultation services to eligible people in the coastal region of Mississippi in the aftermath of Hurricane Katrina. MDCIIC is a Mississippi corporation that provides loans and technical assistance to small businesses in a six county service area in the delta region of Mississippi.

There are also 12 additional limited liability companies included in the consolidated financial statements of the Company which include ECDA, ECDNM, ECD First, ECD Plus, ECD Central, ECDNM3, ECDNM4, ECDNM5, HNM1, HNM2, HNM3 and HNM4. The Company serves as the Managing Member of all 12 entities. Debt and equity funding into ECDA and ECDNM is used for secondary capital loans and contributions to Hope Federal Credit Union (HFCU). The remaining 10 limited liability companies are Community Development Entities (CDEs) created for investors to

Hope Enterprise Corporation Notes to Consolidated Financial Statements

NOTE 1: NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

benefit from the New Markets Tax Credit program administered by the U.S. Department of the Treasury. Substantially all of the qualified equity investments must be in turn used to provide available investment capital to low-income communities. The CDEs will dissolve after the loans provided by the CDEs mature, in accordance with the terms of the CDE operating agreements.

Although not included in the consolidated financial statements, the Company is also the primary sponsor of HFCU. Under the terms of its contractual arrangements, the Company has agreed to reimburse HFCU for certain operating expenses and losses incurred on loans considered to be higher risk than typically underwritten by regulated financial institutions such as HFCU. Such obligations are limited so as to not provide HFCU monthly net income of more than \$20,000. HFCU and the Company share the same members of management and certain HFCU members are also borrowers from the Company and its affiliates.

The net assets of the Company are reported as unrestricted, temporarily restricted or permanently restricted. Restricted net assets are created by donor-imposed restrictions on their use. All other net assets are legally unrestricted and are therefore reported as unrestricted net assets. Temporarily restricted net assets are grants restricted to and intended for support of future operations and/or specific programs. Permanently restricted net assets are grants donated as permanent revolving loan funds.

In connection with the preparation of the consolidated financial statements, management of the Company evaluated subsequent events through March 31, 2015, which was the date the consolidated financial statements were available to be issued.

Fair Value Measurements

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The Company utilizes a fair value hierarchy for measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs. Three levels of inputs are used to measure fair value:

- Level 1** Valuations based on unadjusted quoted prices for identical assets in active markets accessible at the measurement date.
- Level 2** Valuations derived for similar assets in active markets, or other inputs that are observable or can be corroborated by market data.
- Level 3** Valuations derived from unobservable (supported by little or no market activity) inputs that reflect an entity's best estimate of what hypothetical market participants would use to determine a transaction price at the reporting date.

Hope Enterprise Corporation Notes to Consolidated Financial Statements

NOTE 1: NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When quoted market prices in active markets are unavailable, the Company determines fair values using various valuation techniques and models based on a range of observable market inputs including pricing models, quoted market price of publicly traded securities with similar duration and yield, time value, yield curve, prepayment speeds, default rates and discounted cash flow. In most cases, these estimates are determined based on independent third party valuation information, and the amounts are disclosed in the Level 2 of the fair value hierarchy. If quoted market prices and independent third party valuation information are unavailable, the Company produces an estimate of fair value based on internally developed valuation techniques, which, depending on the level of observable market inputs, will render the fair value estimate as Level 2 or Level 3.

The Company generally obtains one quoted market price or dealer quote per instrument. When dealer quotations are used, the Company uses the mid-mark as fair value. As part of the price verification process, valuations based on quotes are corroborated by comparison both to other quotes and to recent trading activity in the same or similar instruments. To the extent the Company determines a price or quote is inconsistent with actual trading activity observed in that investment or similar investments, or if the Company does not believe the quote is reflective of the market value for the investment, the Company would internally develop a fair value using this observable market information.

Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Grants Receivable

Unconditional grants are recognized as revenue in the period the commitment is received. Unconditional grants to be received over a period of time in excess of one year are recorded at fair value at the date of the grant based upon the present value of payments to be received.

Contract Services Revenue and Related Receivables

Contract services revenue is recognized in the period services are rendered. For related receivables, no allowance for doubtful accounts has been deemed necessary. Management determines the allowance by reviewing all outstanding amounts on a monthly basis, identifying troubled accounts and using historical experience applied to an aging of accounts. Contract receivables are written off when deemed uncollectible. Recoveries of contract receivables previously written off are recorded when received.

Hope Enterprise Corporation Notes to Consolidated Financial Statements

NOTE 1: NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loan Receivable from Affiliate

The Company entered into a loan with ECD Chase, LLC (Chase), a company that began operations in 2007. The loan was scheduled to mature in 2027 with quarterly principal payments of \$250,000 scheduled to begin in January 2015. Interest at a fixed rate of 6.25% was due quarterly. The Company does not control this entity and serves as the non-member manager of Chase. Chase does not have a board of directors and has only one investor member. No allowance for loan loss was deemed necessary for this loan. During 2014, this loan was paid in full.

Consumer Mortgage Loans Held-for-Sale

Mortgage loans held-for-sale are carried at the lower of aggregate cost or market value and are primarily fixed-rate single-family residential loans originated and held under contract to be sold in the secondary market to a permanent investor. Such loans are generally sold within 30 days and mortgage servicing rights are released at point of sale. Although investors have limited recourse to return a purchased loan, no such returns occurred in 2014 or 2013. All mortgage loans are collateralized by the related residence of the borrower. Net unrealized losses, if any, are recognized through a valuation allowance by a charge to expense.

Loans Receivable

Loans receivable are stated at the amount of unpaid principal less an allowance for loan losses and consist of commercial loans, consumer mortgage loans not held for sale and forgivable mortgage loans. The commercial loans are typically collateralized by property, equipment, inventories, and/or receivables with loan-to-value ratios from 50 percent to 100 percent and are generally guaranteed by the principals of the borrowing business entity. Interest income is computed on the loan balance outstanding and is accrued as earned. Loans are considered past due if the required principal and interest payments have not been received as of the date such payments are due. For all loans 90 days or more past due, the Company generally discontinues the accrual of interest and recognizes income only as received. A loan may also be placed in non-accrual status when, in management's judgment, the collection of interest is doubtful. All interest accrued but not collected for loans that are placed in non-accrual status or charged off is reversed through interest income unless management believes the accrued interest is recoverable through the liquidation of collateral. Interest received on non-accrual loans is either applied against principal or reported as interest income, based on management's assessment regarding the recovery of principal. When material, the net amount of nonrefundable loan origination fees and direct costs associated with the lending process is deferred and accreted to interest income over the lives of the loans using a method that approximates the interest method.

Hope Enterprise Corporation Notes to Consolidated Financial Statements

NOTE 1: NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A loan is considered impaired when it is probable, based on current information and events, that the Company will be unable to collect all principal and interest payments due in accordance with the contractual terms of the loan agreement. Impaired commercial loans are measured by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent. The amount of impairment, if any, and any subsequent changes are included in the allowance for loan losses. Interest on accruing impaired loans is recognized as long as such loans do not meet the criteria for nonaccrual status.

A loan is considered a troubled debt restructured loan based on individual facts and circumstances. The Company makes various types of concessions when structuring troubled debt restructurings (TDRs) including rate reductions, payment extensions, and forbearance. The Company classifies troubled debt restructured loans as impaired and evaluates the need for an allowance for loan losses on a loan-by-loan basis. An allowance for loan losses is based on either the present value of estimated future cash flows or the estimated fair value of the underlying collateral. Loans retain their interest accrual status at the time of modification.

At December 31, 2014, the Company had 2 commercial real estate loan and 3 other business asset loans classified as TDRs which totaled approximately \$268,000. At December 31, 2013, the Company had one commercial real estate loan and one other business assets loan classified as TDRs which totaled approximately \$5,376,000. For these TDRs, the Company had a related loan loss allowance of approximately \$33,000 and \$531,000 at December 31, 2014 and 2013, respectively. These loans were modified by changing certain interest terms. As a result, there was approximately \$50,000 of accrued interest which was forgiven. There were no specific charge-offs of principal related to TDRs during 2014 or 2013. Collateral dependent loans that are TDRs are charged down to the most likely fair value estimate less a cost to sell estimate, which would approximate net realizable value. During 2014 and 2013, there were no TDRs that subsequently defaulted within twelve months of loan modification.

Loans receivable also include forgivable mortgage loans that are made to accommodate the financial needs of qualifying customers. The terms of these loans differ significantly from traditional mortgage loans since they are forgivable over a stated period of time, typically from five to ten years, and become due only on the sale or transfer of the residence. No principal or interest payments are therefore received for loans made under the forgivable loan programs. Persons receiving loans under the programs must meet certain eligibility requirements and agree to occupy the residence for a stated period of time. The Company holds a secured interest in certain of the property funded until the occupancy period is met. At such time, the interest in the property is transferred to the borrower. No allowance for credit losses has been deemed necessary based on the forgivable nature of the loans and management's evaluation of the excess of the value of the collateral securing the loans over the unforgiven portion of the mortgage loans. The Company recorded approximately \$411,000 and \$224,000 in debt forgiveness during 2014 and 2013,

Hope Enterprise Corporation Notes to Consolidated Financial Statements

NOTE 1: NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

respectively, related to these mortgage loans. As of December 31, 2014, the Company has a conditional promise to forgive the following amounts over the next five years:

2015	808,000
2016	896,000
2017	591,000
2018	591,000
2019	404,000

Allowance for Loan Losses

The allowance for loan losses is determined based on various components for individually impaired loans and for homogeneous pools of loans. The allowance for loan losses is increased by a provision for loan losses, which is charged to expense and reduced by charge-offs, net of recoveries by portfolio segment. The methodology for determining charge-offs is consistently applied to each segment. The allowance for loan losses is maintained at a level that, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectability of the loan portfolio, including the nature of the portfolio, and changes in its risk profile, credit concentrations, historical trends and economic conditions. This evaluation also considers the balance of impaired loans. The Company evaluates the allowance for loan losses on an individual loan basis for impaired loans. All other loans are evaluated on a collective basis. Losses on individually identified impaired loans are measured based on the present value of expected future cash flows discounted at each loan's original effective market interest rate. As a practical expedient, impairment may be measured based on the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. When the measure of the impaired loan is less than the recorded investment in the loan, the impairment is recorded through the provision added to the allowance for loan losses. Though management believes the allowance for loan losses to be adequate, ultimate losses may vary from their estimates. However, estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the change in net assets during periods in which they become known.

Debt Securities Held as Investments

Debt securities are carried at fair value based on quoted market prices. Unrealized gains and losses are included in the change in net assets. The primary components that determine a security's fair value are its coupon rate, maturity and credit characteristics. The Company holds these securities as part of its asset/liability strategy and they may be sold as a result of changes in interest rate risk, prepayment risk or other similar economic factors. Realized gains and losses on sales are computed based on the cost of specific securities sold.

Hope Enterprise Corporation Notes to Consolidated Financial Statements

NOTE 1: NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Premiums and discounts on investment securities are recognized as adjustments to interest income by the interest method over the period to maturity and adjusted for prepayments as applicable. The specific identification method is used to compute gains or losses on the sale of these assets. Security purchases and sales are accounted for on the trade date.

Investment in Affiliated Company

The Company purchased a 98.91% non-controlling equity interest in Hickory Holdings, LLC (Hickory) during 2012, and began receiving its allocation of the operating results of Hickory during 2013. The investment in affiliated company is accounted for using the equity method of accounting. Hickory is not consolidated since the Company has a preferred unit interest, does not control the operations of Hickory, and does not control the election or termination of Hickory's managing members or its management. The principal business activity of Hickory is the acquisition, ownership, financing and holding of lease equipment and other personal property.

Property and Equipment

Property and equipment are stated at cost, if purchased, and estimated fair value at the date received, if donated to the Company. Depreciation on property and equipment is calculated principally by the straight-line method over the estimated useful lives of the assets which generally range from three to 39 years.

The carrying value of long-lived assets is reviewed if facts and circumstances indicate a potential impairment of carrying value may have occurred utilizing relevant cash flow and profitability information. Impairment losses are recorded when the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts.

Foreclosed Property

Foreclosed property consists of properties repossessed by the Company on foreclosed loans. These assets are stated at the lower of the outstanding loan amount (including accrued interest, if any) or fair value at the date acquired less estimated costs to sell. Losses arising from the foreclosure of such property are charged against the allowance for loan losses. An additional charge to expenses is made to reflect declines in value resulting from subsequent valuations of the property. Gains and losses resulting from disposition of such property are recognized currently in the change in net assets.

Funds Held in Escrow

Funds held in escrow were required to be held in accordance with provisions of the MDCIIC note payable. Any funds received but not loaned to eligible borrowers are subject to being returned to the Federal Department of Housing and Urban Development. During 2014, the Company met all of

Hope Enterprise Corporation Notes to Consolidated Financial Statements

NOTE 1: NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the requirements under the terms of the MDCIIC note payable. As a result, the amounts which were previously held in escrow were released. The Company used these funds to repay the MDCIIC note and terminated the operations of MDCIIC.

Income Taxes

The Company and Home Again have received rulings from the Internal Revenue Service for exemption from income taxes as public charities under Internal Revenue Code Sections 501(c)(3) and 509 (a)(2). Since ECDI, ECDA, ECDNM, ECD Plus, ECD Central, ECD First, ECDNM3, ECDNM4, ECDNM5, HNM1, HNM2, HNM3 and HNM4 are limited liability companies, no income taxes are provided. The results of operations are reportable by the LLC members on their individual income tax returns. BIDCO and MDCIIC are subject to income taxes at the corporate level. As such, deferred income taxes relate to temporary differences between assets and liabilities of BIDCO and MDCIIC that are recognized differently for financial reporting purposes and income tax purposes. Deferred tax assets and liabilities pertain to net operating loss carryforwards and the allowance for loan losses. A valuation allowance of approximately \$2,107,000 and \$2,020,000, respectively, was recorded at December 31, 2014 and 2013, to offset the net deferred tax assets of BIDCO. The deferred tax assets of MDCIIC were fully utilized in 2014. The valuation allowance is established to provide for amounts that management considers may not be realized as a result of income limitations. At December 31, 2014, BIDCO had net operating loss carryforwards of approximately \$5,612,000 that will begin to expire in 2022.

Potential exposures involving tax positions taken that may be challenged by taxing authorities contain assumptions based upon past experiences and judgments about potential actions by taxing jurisdictions. Management does not believe that the ultimate settlement of these items will result in a material amount. With minimum exceptions, the Company is no longer subject to income tax examinations prior to 2011.

Effects of Recent Accounting Guidance

In January 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-04, *Receivables – Troubled Debt Restructuring by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure (a consensus of the FASB Emerging Issues Task Force)*. This ASU clarifies when an “in substance repossession or foreclosure” occurs, that is, when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, such that all or a portion of the loan should be derecognized and the real estate property recognized. ASU 2014-04 states that a creditor is considered to have received physical

Hope Enterprise Corporation Notes to Consolidated Financial Statements

NOTE 1: SUMMARY OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

possession of residential real estate property collateralizing a consumer mortgage loan, upon either the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure, or the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. The provisions of ASU 2014-04 also require disclosure of both the amount of foreclosed residential real estate property held by the creditor and the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure. ASU 2014-04 is effective for annual periods beginning after December 15, 2014, and may be applied using either a modified retrospective transition method or a prospective transition method as described in ASU 2014-04. The adoption of ASU 2014-04 is not expected to have a significant impact on the Company's financial statements.

In May 2014, the FASB issued ASU 2014-09, "*Revenue from Contracts with Customers (Topic 606)*." ASU 2014-09 implements a common revenue standard that clarifies the principles for recognizing revenue. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 is effective for the Company on January 1, 2018. The Company is still evaluating the potential impact on its financial statements.

In June 2014, the FASB issued ASU 2014-11, "*Transfers and Servicing (Topic 860)*." ASU 2014-11 requires that repurchase-to-maturity transactions be accounted for as secured borrowings consistent with the accounting for other repurchase agreements. In addition, ASU 2014-11 requires separate accounting for repurchase financings, which entails the transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty. ASU 2014-11 requires entities to disclose certain information about transfers accounted for as sales in transactions that are economically similar to repurchase agreements. In addition, ASU 2014-11 requires disclosures related to collateral, remaining contractual tenor and of the potential risks associated with repurchase agreements, securities lending transactions and repurchase-to-maturity transactions. ASU 2014-11 is effective for the Company on January 1, 2015 and is not expected to have a significant impact on the Company's financial statements.

Reclassifications

Certain reclassifications have been made in the 2013 consolidated financial statements to conform to the method of presentation used in 2014.

Hope Enterprise Corporation
Notes to Consolidated Financial Statements

NOTE 2: FAIR VALUE MEASUREMENTS

At December 31, 2014 and 2013, the only items carried at fair value in the accompanying consolidated statements of financial position were debt securities held as investments, certain collateral-dependent impaired loans and certain foreclosed property. Debt securities held as investments are measured at fair value on a recurring basis with changes in fair value recognized as a change in net assets, whereas impaired loans and foreclosed property are carried at the lower of cost or fair value on a non-recurring basis and are written down to fair value upon initial recognition or subsequent impairment. Fair value amounts for collateral-dependent loans are generally based on internally developed collateral valuations. These valuations incorporate measures such as recent sales prices for comparable properties or customized discounting criteria.

The fair value measurements by input level follow:

<i>December 31, 2014</i>	Total	Level 1	Level 2	Level 3
Impaired loans	\$ 5,940,798			\$ 5,940,798
Foreclosed property	\$ 97,631			\$ 97,631
<hr/>				
<i>December 31, 2013</i>				
Debt securities	\$ 13,031		\$ 13,031	
Impaired loans	\$ 6,168,070			\$ 6,168,070
Foreclosed property	\$ 1,705,728			\$ 1,705,728

NOTE 3: GRANTS RECEIVABLE

The Company's management anticipates grants receivable will be received and available for support of the Company's programs as follows:

<i>December 31,</i>	2014	2013
Receivable in less than one year	\$ 275,000	\$ 909,000
Receivable in one to five years	100,000	150,000
	375,000	1,059,000
Less adjustment to reflect grants receivable at fair value at the date of grant, based on 1.25% discount rate in 2014 and 2013	(8,120)	(19,712)
	\$ 366,880	\$ 1,039,288

Hope Enterprise Corporation
Notes to Consolidated Financial Statements

NOTE 4: DEBT SECURITIES HELD AS INVESTMENTS

Debt securities, presented in the financial statements at fair value, are categorized as follows:

<i>December 31,</i>	Amortized Cost 2013	Fair Value 2013
Residential mortgage-backed securities	\$ 13,251	\$ 13,031

NOTE 5: LOANS AND COMMITMENTS

The Company makes loans to small businesses located in rural, economically disadvantaged areas of Mississippi, Louisiana and Arkansas. Such loans, the proceeds of which normally provide working capital and equipment financing to undercapitalized businesses that may be unable to obtain credit from conventional financing sources, have a higher than typical degree of risk.

Loans other than consumer mortgage loans held for sale and the loan receivable from affiliate consisted of the following:

<i>December 31,</i>	2014	2013
Commercial loans	\$ 71,244,693	\$ 74,487,355
Forgivable mortgage loans	3,055,929	752,172
Other consumer mortgage loans not held for sale	6,108	6,233
Allowance for loan losses	(2,170,702)	(2,029,726)
	\$ 72,136,028	\$ 73,216,034

Included in commercial loans are New Market Tax Credit program loans originated by community development entities which aggregated approximately \$56,074,000 and \$58,407,000 at December 31, 2014 and 2013, respectively. These loans typically have seven year repayment terms but include interest-only loans of approximately \$50,641,000 and \$53,041,000 at December 31, 2014 and 2013, respectively, which will begin to mature in 2017.

Hope Enterprise Corporation
Notes to Consolidated Financial Statements

NOTE 5: LOANS AND COMMITMENTS (Continued)

A summary of the commercial loans and related allowance for loan losses evaluated for impairment both individually and collectively is as follows:

<i>December 31, 2014</i>	<u>Loans</u>		<u>Allowance</u>		<u>Net</u>
	<u>Individually</u>	<u>Collectively</u>	<u>Individually</u>	<u>Collectively</u>	
Commercial loans secured by:					
Commercial real estate	\$ 5,499,804	\$ 20,384,574	\$ 528,470	\$ 240,654	\$ 25,115,254
Single family real estate	449,648	25,386,105	76,183	689,803	25,069,767
Multi-family real estate	11,898	10,102,466	-	307,895	9,806,469
Other business assets	678,309	1,536,622	142,445	29,957	2,042,529
Construction	294,508	5,820,000	57,208	29,100	6,028,200
Unsecured commercial loans	40,530	1,040,229	19,714	49,273	1,011,772
Totals	\$ 6,974,697	\$ 64,269,996	\$ 824,020	\$ 1,346,682	\$ 69,073,991

December 31, 2013

Commercial loans secured by:					
Commercial real estate	\$ 428,924	\$ 23,257,305	\$ 7,365	\$ 264,179	\$ 23,414,685
Single family real estate	12,410	10,686,779	-	323,767	10,375,422
Multi-family real estate	5,965,632	946,671	560,782	22,990	6,328,531
Other business assets	542,026	24,996,401	47,485	676,389	24,814,553
Construction	-	5,831,718	-	29,627	5,802,091
Unsecured commercial loans	68,730	1,750,759	47,475	49,667	1,722,347
Totals	\$ 7,017,722	\$ 67,469,633	\$ 663,107	\$ 1,366,619	\$ 72,457,629

Transactions in the allowance for loan losses are summarized as follows:

<i>December 31,</i>	2014	2013
Balance at beginning of year	\$ 2,029,726	\$ 1,705,668
Provisions charged to program expense	270,977	1,611,236
Loans charged off and foreclosed	(264,963)	(1,351,847)
Loan recoveries	134,962	64,669
Balance at end of year	\$ 2,170,702	\$ 2,029,726

Hope Enterprise Corporation
Notes to Consolidated Financial Statements

NOTE 5: LOANS AND COMMITMENTS (Continued)

Changes in the allowance for loans losses by portfolio class were as follows:

<i>Year ended</i> <i>December 31, 2014</i>	Balance at Beginning of			Provision for	Balance at
	Year	Charge-offs	Recoveries	Loan Losses	End of Year
Commercial loans secured by:					
Commercial real estate	\$ 271,544	\$ (264,963)	\$ 134,962	\$ 627,581	\$ 769,124
Single family real estate	323,767	-	-	(15,872)	307,895
Multi-family real estate	583,772	-	-	(411,370)	172,402
Other business assets	723,874	-	-	42,112	765,986
Construction	29,627	-	-	56,681	86,308
Unsecured commercial loans	97,142	-	-	(28,155)	68,987
	\$ 2,029,726	\$ (264,963)	\$ 134,962	\$ 270,977	\$ 2,170,702

Year ended
December 31, 2013

Commercial loans secured by:					
Commercial real estate	\$ 344,953	\$ (93,572)	\$ 64,669	\$ (44,506)	\$ 271,544
Single family real estate	200,729	(91,992)	-	215,030	323,767
Multi-family real estate	291,998	-	-	291,774	583,772
Other business assets	603,463	-	-	120,411	723,874
Construction	96,392	(1,062,452)	-	995,687	29,627
Unsecured commercial loans	168,133	(103,831)	-	32,840	97,142
	\$ 1,705,668	\$ (1,351,847)	\$ 64,669	\$ 1,611,236	\$ 2,029,726

Charge-offs for 2013 include a charge-off of approximately \$1,062,000 related to one construction loan that became impaired during the year due to nonperformance.

Loan commitments are made to accommodate the financial needs of the Company's customers. These arrangements have credit risk essentially the same as that involved in extending loans to customers of commercial banks and are subject to the Company's normal credit practices. The Company uses the same credit policies in making these commitments and conditional obligations as it does for on-balance sheet instruments. The Company's maximum exposure to credit loss in the event of nonperformance by the other party for loan commitments (including unused lines of credit) was approximately \$1,448,000 and \$2,633,000 at December 31, 2014 and 2013, respectively.

Approximately \$253,000 and \$33,000 of the allowance for loan losses relates to non-accrual loans at December 31, 2014 and 2013, respectively. The Company had non-accrual loans with 12 customers totaling approximately \$1,465,000 at December 31, 2014, and non-accrual loans

Hope Enterprise Corporation
Notes to Consolidated Financial Statements

NOTE 5: LOANS AND COMMITMENTS (Continued)

with 6 customers totaling approximately \$558,000 at December 31, 2013. Loans which were past due 90 days or more and still accruing interest approximated \$1,083,000 at December 31, 2013. There were no loans past due 90 days or more and still accruing interest at December 31, 2014.

The Company had impaired loans of approximately \$6,975,000 and \$7,018,000 as of December 31, 2014 and 2013, respectively. There was approximately \$824,000 and \$663,000 in the allowance for loan losses specifically allocated to these impaired loans at December 31, 2014 and 2013, respectively. Impaired loans approximating \$210,000 and \$187,000 at December 31, 2014 and 2013, respectively, have no allowance for loan losses specifically allocated to these loans. The average balance of impaired loans was approximately \$6,996,000 in 2014 and \$4,313,000 in 2013. Income recognized on impaired loans was approximately \$119,000 in 2014 and \$64,000 in 2013.

Information relative to impaired loans is as follows:

<i>December 31, 2014</i>	Unpaid Principal Balance	Total Loans with No Specific Allowance	Total Loans with a Specific Allowance	Specific Allowance
Commercial loans secured by:				
Commercial real estate	\$ 5,499,804	\$ 197,981	\$ 5,301,823	\$ 528,470
Single family real estate	449,648	-	449,648	-
Multi-family real estate	11,898	11,898	-	142,445
Other business assets	678,309	-	678,309	76,183
Construction	294,508	-	294,508	57,208
Unsecured commercial loans	40,530	-	40,530	19,714
Total impaired loans	\$ 6,974,697	\$ 209,879	\$ 6,764,818	\$ 824,020

December 31, 2013

Commercial loans secured by:				
Commercial real estate	\$ 428,924	\$ 174,135	\$ 254,789	\$ 7,365
Single family real estate	12,410	12,410	-	-
Multi-family real estate	5,965,632	-	5,965,632	560,782
Other business assets	542,026	-	542,026	47,485
Unsecured commercial loans	68,730	-	68,730	47,475
Total impaired loans	\$ 7,017,722	\$ 186,545	\$ 6,831,177	\$ 663,107

Hope Enterprise Corporation
Notes to Consolidated Financial Statements

NOTE 5: LOANS AND COMMITMENTS (Continued)

The Company determines delinquency status based on recent payment history. An aging analysis of past due and nonaccrual commercial loans by class is as follows:

<i>December 31, 2014</i>	Current	Past Due		Nonaccrual	Total
		Past Due 30-89 Days	Greater Than 90 Days		
Commercial loans secured by:					
Commercial real estate	\$ 25,563,552	\$ 71,022	\$ -	\$ 249,804	\$ 25,884,378
Single family real estate	25,354,283	31,822	-	449,648	25,835,753
Multi-family real estate	10,102,466	-	-	11,898	10,114,364
Other business assets	1,536,622	-	-	678,309	2,214,931
Construction	6,066,477	-	-	48,031	6,114,508
Unsecured commercial loans	1,040,229	12,967	-	27,563	1,080,759
Commercial loans	\$ 69,663,629	\$ 115,811	\$ -	\$ 1,465,253	\$ 71,244,693

<i>December 31, 2013</i>					
<i>December 31, 2013</i>	Current	Past Due		Nonaccrual	Total
		Past Due 30-89 Days	Greater Than 90 Days		
Commercial loans secured by:					
Commercial real estate	\$ 23,173,768	\$ 83,537	\$ 255,090	\$ 173,834	\$ 23,686,229
Single family real estate	10,635,896	50,883	12,410	-	10,699,189
Multi-family real estate	6,196,671	-	715,632	-	6,912,303
Other business assets	25,089,491	32,926	40,680	375,330	25,538,427
Construction	5,831,718	-	-	-	5,831,718
Unsecured commercial loans	1,750,759	-	59,501	9,229	1,819,489
Commercial loans	\$ 72,678,303	\$ 167,346	\$ 1,083,313	\$ 558,393	\$ 74,487,355

Credit Quality Indicators

The credit quality indicator utilized by the Company to internally analyze the loan portfolio is the internal risk rating. At the time of loan origination, a risk rating based on an eight point grading system is assigned to each commercial-related loan based on loan officer and management assessments of the risk associated with each particular loan. The first four loan ratings are “pass” rated credits. Loans classified as pass credits have no material weaknesses and are performing as agreed. Loans classified as special mention have a potential weakness that deserves management’s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the Company’s credit position at some future date. Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. Loans classified as doubtful have all the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, highly questionable and improbable. Loans classified as loss are considered uncollectible and their continuance as a loan is not warranted.

Hope Enterprise Corporation
Notes to Consolidated Financial Statements

NOTE 5: LOANS AND COMMITMENTS (Continued)

A summary of the carrying amount of commercial loans by credit quality indicator is as follows:

<i>December 31, 2014</i>	Pass Categories	Special Mention Category	Substandard Category	Doubtful Category	Total
Commercial loans secured by:					
Commercial real estate	\$ 19,896,635	\$ 487,939	\$ -	\$ 5,499,804	\$ 25,884,378
Single family real estate	25,079,648	306,457	-	449,648	25,835,753
Multi-family real estate	10,102,466	-	-	11,898	10,114,364
Other business assets	1,536,622	-	-	678,309	2,214,931
Construction	5,820,000	-	246,477	48,031	6,114,508
Unsecured commercial loans	1,028,768	11,461	12,967	27,563	1,080,759
Totals	\$ 63,464,139	\$ 805,857	\$ 259,444	\$ 6,715,253	\$ 71,244,693

December 31, 2013

Commercial loans secured by:					
Commercial real estate	\$ 23,076,408	\$ 354,731	\$ -	\$ 255,090	\$ 23,686,229
Single family real estate	10,686,779	-	-	12,410	10,699,189
Multi-family real estate	946,671	-	-	5,965,632	6,912,303
Other business assets	25,122,417	329,250	-	86,760	25,538,427
Construction	5,831,718	-	-	-	5,831,718
Unsecured commercial loans	1,746,863	13,125	-	59,501	1,819,489
Totals	\$ 67,410,856	\$ 697,106	\$ -	\$ 6,379,393	\$ 74,487,355

Hope Enterprise Corporation
Notes to Consolidated Financial Statements

NOTE 6: INVESTMENT IN AFFILIATED COMPANY

Summarized, unaudited financial information of Hickory Holdings, LLC (Hickory) as of December 31, 2014, is as follows:

<i>December 31,</i>	2014	2013
Assets		
Current assets	\$ 1,475,204	\$ 1,263,901
Construction in progress	49,912,244	49,912,244
Deferred loan costs	739,230	781,878
	\$ 52,126,678	\$ 51,958,023
Liabilities and Members' Equity		
Current liabilities	\$ 1,100,717	\$ 886,623
Long-term debt	40,369,000	40,369,000
Equity of preferred unitholders	10,566,949	10,612,388
Equity of common unitholders	90,012	90,012
	\$ 52,126,678	\$ 51,958,023
Results of Operations		
Rental revenue	\$ 1,300,000	\$ 977,500
Interest expense	843,272	520,487
Other expenses	75,192	68,625
Net earnings	\$ 381,536	\$ 388,388
Years ended December 31,		
	2014	2013

During 2014 and 2013, ECDNM5 received cash dividends of approximately \$320,000 and \$426,000, respectively, from Hickory.

NOTE 7: SECONDARY CAPITAL OF HOPE FEDERAL CREDIT UNION

Secondary capital of HFCU are loans that require principal repayments, unless HFCU (i) is unable to fully service existing senior indebtedness, (ii) is unable to satisfy its operating expenses, or (iii) does not have available cash flows for the withdrawals of funds for the account. If such loans are not required to be repaid, they will be recognized as expense in the period the losses are incurred. The advances include a fixed rate loan at 5.45% for \$4,050,000 with quarterly principal payments of \$250,000 beginning in 2015, a fixed rate loan at 1.00% for \$5,000,000 maturing on December 31, 2019, and three variable rate loans aggregating \$3,777,500 with interest floors and caps from 5.00% - 10.90%, maturing in 2024 – 2025, with principal payments required each year until maturity. Interest income received from HFCU relative to the secondary capital loans approximated \$560,000 and \$626,000 for the years ended December 31, 2014 and 2013, respectively.

Hope Enterprise Corporation
Notes to Consolidated Financial Statements

NOTE 7 : SECONDARY CAPITAL OF HOPE FEDERAL CREDIT UNION (Continued)

Maturities of secondary capital loans at December 31, 2014 are scheduled as follows:

2015	\$ 2,852,500
2016	1,000,000
2017	1,000,000
2018	1,000,000
2019	5,050,000
Thereafter	1,925,000
	<hr/> <hr/> \$ 12,827,500

In addition, the Company incurred expenses approximating \$700,000 relative to its obligation to reimburse certain operating expenses of HFCU in 2013. No expenses were incurred in 2014. The Company incurred approximately \$1,049,000 and \$1,506,000 in 2014 and 2013, respectively, for grants to HFCU which are included in development finance expense in the accompanying consolidated statements of activities.

Accounts payable to HFCU for grants and contractual services aggregated approximately \$42,000 and \$650,000 at December 31, 2014 and 2013, respectively. As of December 31, 2014 and 2013, the Company had deposit accounts with HFCU totaling approximately \$5,256,000 and \$5,151,000, respectively.

NOTE 8: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<i>December 31,</i>	2014	2013
Computer equipment	\$ 2,864,127	\$ 2,719,257
Office equipment and other	603,141	600,008
Building and improvements	1,678,033	1,678,033
	5,145,301	4,997,298
Accumulated depreciation	(3,474,469)	(3,148,573)
	<hr/> <hr/> \$ 1,670,832	<hr/> <hr/> \$ 1,848,725

Hope Enterprise Corporation
Notes to Consolidated Financial Statements

NOTE 9: FORECLOSED PROPERTY

An analysis of foreclosed property follows:

<i>December 31,</i>	2014	2013
Balance at beginning of year	\$ 1,864,141	\$ 631,936
Transfer from loans	58,708	1,333,254
Transfer to loan guarantees receivable	(74,936)	(12,338)
Carrying value of foreclosed property sold	(411,629)	(64,767)
Impairments recognized	(34,134)	(23,944)
Balance at end of year	\$ 1,402,150	\$ 1,864,141

NOTE 10: EMPLOYEE BENEFIT PLAN

The Company sponsors a defined contribution 401(k) plan (the "Plan") for all employees. The Company contributes 100% of the first 4% contributed by each employee. Expenses of the Plan were approximately \$64,000 in 2014 and \$69,000 in 2013.

NOTE 11: NOTES PAYABLE

The Company has entered into two loan facilities with a bank and a non-bank lender to provide funding in amounts up to \$10,000,000 and \$3,000,000, respectively. The bank facility may be increased and extended at the discretion of the lender and subject to certain terms of that agreement. The outstanding balances under these loan facilities at December 31, 2014, were \$3,218,000 and \$3,000,000, respectively. The proceeds of both facilities are to be used for small business lending activities of the Company. The outstanding balances under these loan facilities at December 31, 2013, were \$5,323,000 and \$3,000,000, respectively. The agreements contain certain financial covenants, including but not limited to, net assets ratios, delinquent loan ratios, a current ratio, a liquidity reserve and restrictions on the amount of support which may be provided to its affiliates. All remaining notes payable of the Company are unsecured except for collateral consisting of a first real estate mortgage on the corporate office facilities relative to the note payable to HFCU.

Total interest paid on all notes payable approximated \$1,235,000 and \$1,202,000 in 2014 and 2013, respectively. The Company recognized interest expense of approximately \$58,000 and \$62,000 in 2014 and 2013, respectively, related to its mortgage and note payable to HFCU.

Hope Enterprise Corporation
Notes to Consolidated Financial Statements

NOTE 11: NOTES PAYABLE (Continued)

Notes payable consisted of the following:

<i>December 31,</i>	2014	2013
1% notes payable:		
interest due annually and maturing 2020 through 2024	\$ 6,500,000	\$ 6,500,000
interest due quarterly and maturing from 2012 through 2017	2,000,000	2,000,000
Notes payable to banks with interest due quarterly:		
interest payable at 5.61 - 5.75%, maturing from 2011 through 2015	1,049,937	1,949,000
interest payable at 5.2%, matured in September 2014	-	121,639
interest payable at 6.875%, maturing in December 2017	3,000,000	3,000,000
1.35% note payable to bank with interest due at maturity	1,000,000	-
Note payable bearing interest at 4 - 4.30% with interest due monthly:		
maturing in December 2016	3,000,000	3,000,000
maturing in January 2018	3,218,392	5,323,268
Note payable to Local Initiative Support Corp. bearing		
interest at 6% with interest due quarterly, maturing 2012-2015	700,000	800,000
4.25% mortgage payable to HFCU with monthly installments of \$7,773, including interest at prime plus 1.5%, payable until final ballon in December 2020	1,044,010	1,086,600
6% note payable to HFCU, payable in monthly installments of \$5,849 through May 2016	88,925	151,699
MDCIIC note payable to Leflore County bearing interest at a blended fixed rate of 5.48%, \$250,000 principal paid annually, scheduled maturity August 2023	-	3,750,000
Note payable bearing interest at 6%, matured June 2014	-	750,000
Note payable bearing interest at 4.25%, matured March 2014	-	250,000
3% notes payable:		
interest due quarterly and maturing 2014 through 2017	1,670,000	2,000,000
interest due annually and maturing in December 2015	400,000	425,000
Note payable to non-profit foundation bearing interest at 2.5% with interest due quarterly, maturing August 2016	500,000	500,000
Interest free note payable matured in May 2014	-	111,943
Other notes payable, with interest at 1% to 3%	371,344	335,000
Total notes payable	\$ 24,542,608	\$ 32,054,149

Notes payable maturities at December 31, 2014, are as follows:

2015	\$ 5,251,801
2016	4,810,169
2017	4,452,199
2018	1,576,478
2019	153,980
Thereafter	8,297,981
	\$ 24,542,608

Hope Enterprise Corporation

Notes to Consolidated Financial Statements

NOTE 12: NON-CONTROLLING INTEREST AND NET ASSETS

ECDI has issued 220 Class A units at \$25,000 per unit. The owners of the Class A units may elect three of the seven members of the management committee of ECDI. The other four members are appointed by the Company, the sole Class B unit holder. The Company is the sole managing member of ECDA and elects three of the five board of directors of ECDNM. ECDA is the primary investing member of ECDNM. The Company is the sole managing member of ECD Plus, ECD First, ECD Central, ECDNM3, ECDNM4, ECDNM5, HNM1, HNM2, HNM3 and HNM4 and elects two of the three board of directors of each company. Although the Company controls the board of directors of these entities, the Company has only a minor investment in these entities and thus receives minimal allocations of earnings or losses. Further, the Company received minimal distributions from these entities during 2014 and 2013.

Dividends in arrears relative to the ECDI Class A units totaled \$114,775 at December 31, 2014 and 2013, respectively. Temporarily restricted net assets include approximately \$420,000 of net assets of Home Again at December 31, 2014 and 2013 and approximately \$1,815,000 (2014) and \$1,665,000 (2013) for financial assistance programs offered by the Company. Permanently restricted net assets include approximately \$1,778,000 and \$1,418,000 at December 31, 2014 and 2013, respectively, of revolving loan funds available to customers of the Company.

The changes in non-controlling interest are as follows:

	Balance January 1, 2014	Acquisition by Controlling Interest	Dividends Paid	Net Earnings (Loss)	Net Unrealized Gains	Balance December 31, 2014
ECDI	\$ 1,455,622	\$ -	\$ -	\$ (100,772)	\$ 165	\$ 1,355,015
ECDA	5,193,428	(4,021,979)	(283,242)	214,992	-	1,103,199
ECD Plus	7,674,587	-	(334,325)	335,676	-	7,675,938
ECD First	2,368,837	-	(2,328,662)	(40,175)	-	-
ECD Central	4,850,000	-	(29,047)	29,047	-	4,850,000
ECDNM3	8,706,641	-	(353,427)	352,400	-	8,705,614
ECDNM4	10,581,203	-	(85,899)	67,076	-	10,562,380
ECDNM5	10,725,373	-	(406,000)	380,089	-	10,699,462
HNM1	5,790,920	-	(43,646)	43,648	-	5,790,922
HNM2	7,725,701	-	(77,747)	73,275	-	7,721,229
HNM3	4,704,528	-	(35,012)	45,010	-	4,714,526
HNM4	5,790,920	-	(85,462)	85,462	-	5,790,920
	\$ 75,567,760	\$ (4,021,979)	\$ (4,062,469)	\$ 1,485,728	\$ 165	\$ 68,969,205

Hope Enterprise Corporation
Notes to Consolidated Financial Statements

NOTE 12: NON-CONTROLLING INTEREST AND NET ASSETS (Continued)

	Balance January 1, 2013	Investor Contributions	Dividends Paid	Net Earnings (Loss)	Net Unrealized Losses	Balance December 31, 2013
ECDI	\$ 1,637,433	\$ -	\$ -	\$ (181,742)	\$ (69)	\$ 1,455,622
ECDA	5,231,877	-	(255,725)	217,276	-	5,193,428
ECD Plus	7,687,202	-	(346,886)	334,271	-	7,674,587
ECD First	2,370,662	-	-	(1,825)	-	2,368,837
ECD Central	4,850,000	-	(29,050)	29,050	-	4,850,000
ECDNM3	8,708,466	-	(353,427)	351,602	-	8,706,641
ECDNM4	10,550,532	-	(85,899)	116,570	-	10,581,203
ECDNM5	10,650,000	-	(304,500)	379,873	-	10,725,373
HNM1	-	6,000,000	(8,245)	(200,835)	-	5,790,920
HNM2	-	8,000,000	(17,925)	(256,374)	-	7,725,701
HNM3	-	5,000,000	(13,859)	(281,613)	-	4,704,528
HNM4	-	6,000,000	(13,296)	(195,784)	-	5,790,920
	\$ 51,686,172	\$ 25,000,000	\$ (1,428,812)	\$ 310,469	\$ (69)	\$ 75,567,760

In June 2012, HEC acquired a 28.57% interest in ECDA as a result of the exercise by one of its non-controlling interest members of a put option allowing the non-controlling member to put their interest to the managing member (Hope Enterprise Corporation). Such option allowed the non-controlling member to liquidate their interest, subsequent to the required seven-year holding period, to the Company for \$200,000. The transaction has been reflected in the accompanying consolidated financial statements as an equity transaction. Therefore, no gain or loss was recognized in the consolidated statement of activities. The carrying amount of the non-controlling interest was adjusted to reflect the liquidation of its ownership interest in the subsidiary and the difference between the consideration received (\$200,000) and the amount by which the non-controlling interest was adjusted was recognized in equity attributable to the Company.

NOTE 13: COMMITMENTS AND CONTINGENCIES

Concentration of Credit Risk

The Company maintains cash balances at a financial institution in excess of insured limits by approximately \$7,507,000 at December 31, 2014. The Company also maintains cash balances at a security brokerage firm where no amounts were in excess of insured limits at December 31, 2014. The Company periodically assesses the financial condition of the institutions and believes that the risk of any loss is minimal.

Hope Enterprise Corporation
Notes to Consolidated Financial Statements

NOTE 13: COMMITMENTS AND CONTENGENCIES (Continued)

Litigation

The Company is a defendant in litigation arising from normal business activities. Management, with the advice of legal counsel, is of the opinion that the ultimate resolution of these matters will not have a material adverse effect on the consolidated financial statements.

NOTE 14: NATURAL CLASSIFICATION OF EXPENSES

A summary of expenses presented by natural classification follows:

<i>Years ended December 31,</i>	2014	2013
Salaries, employee taxes and benefits	\$ 2,946,060	\$ 3,020,154
Bank and payroll fees	340,435	241,095
Conferences and employee training	53,917	60,629
Contractual services	2,037,893	1,851,920
Dues, fees and memberships	28,299	36,670
Equipment, furniture and fixtures maintenance	112,613	128,540
Foreclosed property expense	25,798	98,746
Forgiveness of mortgage loan debt	411,242	223,742
HFCU operational support	-	700,000
Insurance	183,513	192,631
Miscellaneous	30,601	28,253
Office supplies	127,740	162,796
Rent and employee parking	29,321	41,966
Repairs and maintenance	120,047	146,366
Service fees	695	24,386
Staff recruitment and relocation	1,067	15,901
Taxes and licenses	34,604	2,875
Telephone and utilities	494,810	580,600
Travel	178,036	157,683
Interest	1,140,229	1,172,583
Provision for loan losses	270,977	1,611,236
Impairment loss on foreclosed assets	34,134	23,944
Depreciation and amortization	387,503	445,848
Totals	\$ 8,989,534	\$ 10,968,564

Hope Enterprise Corporation
Schedule 1 – Consolidating Statement of Financial Position

As of December 31, 2014

	ECD Investments, LLC Consolidated	Mid Delta Community & Individual Investment Corp.	Home Again, Inc.	Hope Enterprise Corporation	New Markets Tax Credit Companies	Eliminations	Consolidated
Assets							
Cash and cash equivalents	\$ 425,046	\$ 40,979	\$ 111,267	\$ 7,384,753	\$ 1,866,045	\$ -	\$ 9,828,090
Grants receivable	-	-	-	366,880	-	-	366,880
Contract revenue receivable	2,275	9	-	35,743	71,695	(10,000)	99,722
Loan receivable from affiliate	406,760	-	-	2,863,192	-	(3,269,952)	-
Consumer mortgage loans held for sale	-	-	-	1,057,011	-	-	1,057,011
Other loans	1,329,922	-	528,429	15,265,056	55,012,621	-	72,136,028
Loan guarantees receivable	1,076,567	-	-	-	-	-	1,076,567
Investment in affiliated company	-	-	-	-	10,673,449	-	10,673,449
Investment in subsidiary	-	-	-	5,558,273	5,357,500	(10,915,773)	-
Investment in secondary capital of Hope Federal Credit Union	-	-	-	5,000,000	7,827,500	-	12,827,500
Property and equipment, net	-	-	-	1,670,832	-	-	1,670,832
Foreclosed property	78,268	-	-	1,323,882	-	-	1,402,150
Other assets	11,603	-	188,050	427,175	10,000	(143,966)	492,862
Total assets	\$ 3,330,441	\$ 40,988	\$ 827,746	\$ 40,952,797	\$ 80,818,810	\$ (14,339,691)	\$ 111,631,091
Liabilities and net assets							
Liabilities:							
Accounts payable and accrued expenses	\$ 319,312	\$ 279,965	\$ 143,560	\$ 998,110	\$ 28,442	\$ (1,230,700)	\$ 538,689
Payable to Hope Federal Credit Union	313	-	-	41,874	-	-	42,187
Funds held in escrow	-	-	23,097	-	-	-	23,097
Due to affiliates	-	-	-	-	2,150,000	(2,150,000)	-
Notes payable	1,500,000	-	-	22,342,608	700,000	-	24,542,608
Total liabilities	1,819,625	279,965	166,657	23,382,592	2,878,442	(3,380,700)	25,146,581
Total non-controlling interests	1,355,014	-	-	-	67,614,191	-	68,969,205
Other unrestricted net assets	155,802	(238,977)	241,304	13,977,438	10,326,177	(10,958,991)	13,502,753
Temporarily restricted	-	-	419,785	1,815,255	-	-	2,235,040
Permanently restricted	-	-	-	1,777,512	-	-	1,777,512
Total net assets	1,510,816	(238,977)	661,089	17,570,205	77,940,368	(10,958,991)	86,484,510
Total liabilities and net assets	\$ 3,330,441	\$ 40,988	\$ 827,746	\$ 40,952,797	\$ 80,818,810	\$ (14,339,691)	\$ 111,631,091

Hope Enterprise Corporation

Schedule 2 – Consolidating Statement of Activities and Changes in Net Assets

Year ending December 31, 2014

	ECD Investments, LLC Consolidated	Mid Delta Community & Individual Investment Corp.	Home Again, Inc.	Hope Enterprise Corporation	New Markets Tax Credit Companies	Eliminations	Consolidated
Revenues and gains							
Grants and contributions	\$ -	\$ -	\$ 25,000	\$ 8,273,111	\$ -	\$ -	\$ 8,298,111
In-kind contributions	-	-	-	629,955	-	-	629,955
Interest, dividends and related fees:							
Loans and other investments	139,233	3,182,428	94,039	902,373	1,766,482	(159,570)	5,924,985
Debt securities and cash equivalents	156	1,604	291	77,148	-	-	79,199
Net realized and unrealized losses on debt securities available for sale	(802)	-	-	(135)	-	-	(937)
Loss on sale of assets	-	-	(34,318)	841,295	-	-	806,977
Contract services revenue	-	-	-	490,868	10,000	(387,615)	113,253
Total revenues and gains	138,587	3,184,032	85,012	11,214,615	1,776,482	(547,185)	15,851,543
Expenses							
Program expenses:							
Development finance	249,853	680,895	-	3,627,140	519,507	(547,185)	4,530,210
Housing initiative	-	-	223,342	568,462	-	-	791,804
Policy and advocacy	-	-	-	652,927	-	-	652,927
Other programs	-	-	-	1,003,225	-	-	1,003,225
	249,853	680,895	223,342	5,851,754	519,507	(547,185)	6,978,166
General and administration expense	-	-	-	1,757,737	-	-	1,757,737
Fund-raising and communication	-	-	-	253,631	-	-	253,631
Total expenses	249,853	680,895	223,342	7,863,122	519,507	(547,185)	8,989,534
Equity in earnings of affiliated company	-	-	-	-	380,561	-	380,561
Change in net assets before non-controlling interests	(111,266)	2,503,137	(138,330)	3,351,493	1,637,536	-	7,242,570
Non-controlling interests in subsidiaries' income	100,609	-	-	-	(1,586,502)	-	(1,485,893)
Change in net assets attributable to controlling interest	(10,657)	2,503,137	(138,330)	3,351,493	51,034	-	5,756,677
Net assets attributable to controlling interest:							
At beginning of year	166,459	(2,742,114)	799,419	14,218,712	11,373,179	(12,056,596)	11,759,059
Dividends paid to controlling interest	-	-	-	-	(1,098,036)	1,097,605	(431)
At end of year	155,802	(238,977)	661,089	17,570,205	10,326,177	(10,958,991)	17,515,305
Net assets of non-controlling interests (Note 12)	1,355,014	-	-	-	67,614,191	-	68,969,205
Total net assets at end of year	\$ 1,510,816	\$ (238,977)	\$ 661,089	\$ 17,570,205	\$ 77,940,368	\$ (10,958,991)	\$ 86,484,510

Hope Enterprise Corporation
Schedule 3 – Details of New Markets Tax Credit Companies –
Combining Statement of Financial Position

As of December 31, 2014

(Continued)

	ECDA and Subsidiary	ECD Plus	ECD First	ECD Central	ECDNM3	ECDNM4	ECDNM5	HNM1
Assets								
Cash and cash equivalents	\$ 1,098,639	\$ 703,113	\$ -	\$ 10	\$ 1,029	\$ 33,598	\$ 27,154	\$ 602
Contract revenue receivable	-	9,957	-	-	26,741	24,997	-	-
Other loans	-	6,962,967	-	4,850,000	8,687,250	10,504,904	-	5,790,900
Investment in subsidiary	5,357,500	-	-	-	-	-	-	-
Investment in affiliated company	-	-	-	-	-	-	10,673,449	-
Secondary capital of HFCU	7,827,500	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
Total assets	\$ 14,283,639	\$ 7,676,037	\$ -	\$ 4,850,010	\$ 8,715,020	\$ 10,563,499	\$ 10,700,603	\$ 5,791,502
Liabilities and net assets								
Liabilities:								
Accounts payable and accrued expenses	\$ 10,496	\$ -	\$ -	\$ (490)	\$ 8,436	\$ -	\$ -	\$ -
Due to affiliates	2,150,000	-	-	-	-	-	-	-
Notes payable	700,000	-	-	-	-	-	-	-
Total liabilities	2,860,496	-	-	(490)	8,436	-	-	-
Total non-controlling interests	1,103,201	7,675,937	-	4,850,000	8,705,614	10,562,380	10,699,462	5,790,922
Other unrestricted net assets	10,319,942	100	-	500	970	1,119	1,141	580
Total net assets	11,423,143	7,676,037	-	4,850,500	8,706,584	10,563,499	10,700,603	5,791,502
Total liabilities and net assets	\$ 14,283,639	\$ 7,676,037	\$ -	\$ 4,850,010	\$ 8,715,020	\$ 10,563,499	\$ 10,700,603	\$ 5,791,502

Hope Enterprise Corporation
Schedule 3 – Details of New Markets Tax Credit Companies –
Combining Statement of Financial Position

As of December 31, 2014

(Concluded)

Assets	HNM2	HNM3	HNM4	Combined
Cash and cash equivalents	\$ 800	\$ 500	\$ 600	\$ 1,866,045
Contract revenue receivable	-	10,000	-	71,695
Other loans	7,721,200	4,704,500	5,790,900	55,012,621
Investment in subsidiary	-	-	-	5,357,500
Investment in affiliated company	-	-	-	10,673,449
Secondary capital of HFCU	-	-	-	7,827,500
Other assets	-	10,000	-	10,000
Total assets	\$ 7,722,000	\$ 4,725,000	\$ 5,791,500	\$ 80,818,810
Liabilities and net assets				
Liabilities:				
Accounts payable and accrued expenses	\$ -	\$ 10,000	\$ -	\$ 28,442
Due to affiliates	-	-	-	2,150,000
Notes payable	-	-	-	700,000
Total liabilities	-	10,000	-	2,878,442
Total non-controlling interests	7,721,229	4,714,526	5,790,920	67,614,191
Other unrestricted net assets	771	474	580	10,326,177
Total net assets	7,722,000	4,715,000	5,791,500	77,940,368
Total liabilities and net assets	\$ 7,722,000	\$ 4,725,000	\$ 5,791,500	\$ 80,818,810

Hope Enterprise Corporation
Schedule 4 – Details of New Markets Tax Credit Companies –
Combining Statement of Activities and Changes in Net Assets

Year ending December 31, 2014

(Continued)

	ECDA and Subsidiary	ECD Plus	ECD First	ECD Central	ECDNM3	ECDNM4	ECDNM5	HNM1
Revenues and gains								
Interest, dividends and related fees:								
Loans and other investments	\$ 510,217	\$ 356,026	\$ -	\$ 54,050	\$ 384,372	\$ 118,408	\$ 66	\$ 68,202
Contract services revenue	-	-	-	-	-	-	-	-
Total revenues and gains	510,217	356,026	-	54,050	384,372	118,408	66	68,202
Expenses								
Program expenses:								
Development finance	244,197	20,350	40,275	25,000	31,937	51,325	500	24,550
Total expenses	244,197	20,350	40,275	25,000	31,937	51,325	500	24,550
Equity in earnings of affiliated company	-	-	-	-	-	-	380,561	-
Change in net assets before non-controlling interests	266,020	335,676	(40,275)	29,050	352,435	67,083	380,127	43,652
Non-controlling interests in subsidiaries' income	(214,994)	(335,676)	40,175	(29,047)	(352,400)	(67,076)	(380,089)	(43,648)
Change in net assets attributable to controlling interest	51,026	-	(100)	3	35	7	38	4
Net assets attributable to controlling interest:								
At beginning of year	11,366,923	100	100	500	935	1,112	1,103	580
Dividends paid to controlling interests	(1,098,007)	-	-	(3)	-	-	-	(4)
At end of year	10,319,942	100	-	500	970	1,119	1,141	580
Net assets of non-controlling interests (Note 12)	1,103,201	7,675,937	-	4,850,000	8,705,614	10,562,380	10,699,462	5,790,922
Total net assets at end of year	\$ 11,423,143	\$ 7,676,037	\$ -	\$ 4,850,500	\$ 8,706,584	\$ 10,563,499	\$ 10,700,603	\$ 5,791,502

Hope Enterprise Corporation
Schedule 4 – Details of New Markets Tax Credit Companies –
Combining Statement of Activities and Changes in Net Assets

Year ending December 31, 2014

(Concluded)

	HNM2	HNM3	HNM4	Combined
Revenues and gains				
Interest, dividends and related fees:				
Loans and other investments	\$ 107,155	\$ 57,515	\$ 110,471	\$ 1,766,482
Contract services revenue	-	10,000	-	10,000
Total revenues and gains	107,155	67,515	110,471	1,776,482
Expenses				
Program expenses:				
Development finance	33,873	22,500	25,000	519,507
Total expenses	33,873	22,500	25,000	519,507
Equity in earnings of affiliated compan	-	-	-	380,561
Change in net assets before non- controlling interests	73,282	45,015	85,471	1,637,536
Non-controlling interests in subsidiaries' income	(73,275)	(45,010)	(85,462)	(1,586,502)
Change in net assets attributable to controlling interest	7	5	9	51,034
Net assets attributable to controlling interest:				
At beginning of year	774	472	580	11,373,179
Dividends paid to controlling interests	(10)	(3)	(9)	(1,098,036)
At end of year	771	474	580	10,326,177
Net assets of non-controlling interests (Note 12)	7,721,229	4,714,526	5,790,920	67,614,191
Total net assets at end of year	\$ 7,722,000	\$ 4,715,000	\$ 5,791,500	\$ 77,940,368